

## Section 7

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stock issued; adjustments in capital resulting from reorganization or recapitalization; and proceeds attributable to detachable stock purchase warrants related to debt issues. This account shall also include balances of contributions to the business enterprise of individual proprietors or partners.

(b) Each air carrier shall maintain the following subaccounts:

**2890.1 Premium on capital stock.** Record here in separate subdivisions for each class and series of capital stock issued the excess of the cash value of consideration received over the par or stated value and accrued dividends of stock issued together with assessments against stockholders representing payments required in excess of par or stated value.

**2890.2 Discount on capital stock.** Record here in separate subdivisions for each class and series of capital stock issued, the excess of the par or stated value over the cash value of consideration received, less accrued dividends. Discounts applicable to a particular class and series of capital stock may be offset against premiums from the same class and series of capital stock. Discounts and premiums on different classes and series of capital stock shall not be offset. The air carrier may, at its option, record in this subaccount commissions and expenses incurred in the issuance of capital stock and may charge balance sheet account 2900 Retained Earnings to the extent capital stock expense may exceed any existing balance of paid-in capital over the par or stated value of capital stock.

**2890.3 Other Capital Stock Transactions.** Record here in separate subdivisions for each class and series, the balance of credits arising from the reacquisition and resale or cancellation of capital stock, credits arising from a reduction in the par or stated value of capital stock or the net balance of credits or debits resulting from other paid-in capital transactions such as proceeds attributable to detachable stock purchase warrants related to debt issues, not provided for elsewhere, which is identified with a particular class and series of capital stock.

### 2900 Retained Earnings.

(a) Record here the net income or loss from operations of the air carrier

and dividends declared on capital stock.

(b) This account shall not be charged with dividends on treasury stock. If a dividend is not payable in cash, the values entered in this account shall be completely described.

(c) Delayed credits or charges to income shall not be entered in this account directly but in appropriate profit and loss accounts.

(d) Net income or loss accounted for during the current fiscal year shall not be entered in this account until the close of the fiscal year. Individual proprietorships or partnerships may clear net income or loss accounted for during the year directly to balance sheet account 2890 Additional Capital Invested, or optionally, to this account for subsequent transfer to balance sheet account 2890 Additional Capital Invested.

(e) A separate subaccount to this account shall be maintained to record changes in the valuation of marketable equity securities included in noncurrent assets. Such changes shall be reflected in this subaccount to the extent the balance in this subaccount represents a net unrealized loss as of the current balance sheet date.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 242, Jan. 3, 1985]

### 2990 Treasury Stock.

(a) Record here the cost of capital stock issued by the air carrier reacquired by it and not retired or canceled.

(b) Separate records shall be established for each class and series of capital stock held in this account.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

### PROFIT AND LOSS CLASSIFICATION

### Section 7 Chart of Profit and Loss Accounts

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
OPERATING REVENUES AND EXPENSES			
Transport revenues:			
01 Passenger:			
01.1 Passenger—first class .....	31, 32 .....	31, 32 .....	31, 32.
01.2 Passenger—coach .....	31, 32 .....	31, 32 .....	31, 32.

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Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
05 Mail:			
05.1 Priority .....	31, 32 .....	31, 32 .....	31, 32.
05.2 Nonpriority .....	31, 32 .....	31, 32 .....	31, 32.
05.3 Foreign .....	31, 32 .....	31, 32 .....	31, 32.
06 Property:			
06.1 Freight .....	31, 32 .....	31, 32 .....	31, 32.
06.2 Excess passenger baggage .....	31, 32 .....	31, 32 .....	31, 32.
07 Charter:			
07.1 Passenger .....	32 .....	32 .....	32.
07.2 Property .....	32 .....	32 .....	32.
19 Air transport—other:			
19.1 Reservation cancellation fees .....	31, 32 .....	31, 32 .....	31, 32.
19.2 Miscellaneous operating revenues .....	31, 32 .....	31, 32 .....	31, 32.
08 Public service revenues (subsidy) .....	48 .....	48 .....	48.
Transport-related revenues and expenses:			
09 In-flight sales:			
09.1 Liquor and food—gross revenues .....	48 .....	48 .....	48.
09.2 Movies and stereo—gross revenues .....	48 .....	48 .....	48.
09.3 Other—gross revenues .....	48 .....	48 .....	48.
09.4 Liquor and food—depreciation expense .....	71 .....	71 .....	71.
09.5 Liquor and food—other expense .....	71 .....	71 .....	71.
09.6 Movies and stereo—depreciation expense .....	71 .....	71 .....	71.
09.7 Movies and stereo—other expense .....	71 .....	71 .....	71.
09.8 Other—depreciation expense .....	71 .....	71 .....	71.
09.9 Other—expense .....	71 .....	71 .....	71.
10 Restaurant and food service (ground):			
10.1 Gross revenues .....	48 .....	48 .....	48.
10.2 Depreciation expense .....	71 .....	71 .....	71.
10.3 Other expenses .....	71 .....	71 .....	71.
11 Rents:			
11.1 Gross revenues .....	48 .....	48 .....	48.
11.2 Depreciation expense .....	71 .....	71 .....	71.
11.3 Other expenses .....	71 .....	71 .....	71.
12 Limousine service:			
12.1 Gross revenues .....	48 .....	48 .....	48.
12.2 Depreciation expense .....	71 .....	71 .....	71.
12.3 Other expenses .....	71 .....	71 .....	71.
13 Interchange sales:			
13.1 Associated companies—gross revenues .....	48 .....	48 .....	48.
13.2 Outside—gross revenues .....	48 .....	48 .....	48.
13.3 Associated companies—depreciation expense .....	71 .....	71 .....	71.
13.4 Associated companies—other expense .....	71 .....	71 .....	71.
13.5 Outside—depreciation expense .....	71 .....	71 .....	71.
13.6 Outside—other expense .....	71 .....	71 .....	71.
14 General service sales:			
14.1 Associated companies—gross revenues .....	48 .....	48 .....	48.
14.2 Outside—gross revenues .....	48 .....	48 .....	48.
14.3 Associated companies—depreciation expense .....	71 .....	71 .....	71.
14.4 Associated companies—other expense .....	71 .....	71 .....	71.
14.5 Outside—depreciation expense .....	71 .....	71 .....	71.
14.6 Outside—other expense .....	71 .....	71 .....	71.
16 Substitute (replacement) service:			
16.1 Gross revenues .....	48 .....	48 .....	48.
16.2 Expense .....	71 .....	71 .....	71.
17 Air cargo service:			
17.1 Gross revenues .....	48 .....	48 .....	48.
17.2 Depreciation expense .....	71 .....	71 .....	71.
17.3 Other expense .....	71 .....	71 .....	71.
18 Other transport related items:			
18.1 Gross revenues .....	48 .....	48 .....	48.
18.2 Depreciation expense .....	71 .....	71 .....	71.
18.3 Other expense .....	71 .....	71 .....	71.
19 Other operating revenues:			
19.1 Reservations cancellation fees .....	31, 32 .....	31, 32 .....	31, 32.
19.9 Miscellaneous operating revenues .....	31, 32, 41 .....	31, 32, 41 .....	31, 32, 41.
Transport expenses:			
21 General management personnel .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
23 Pilots and copilots .....	51 .....	51 .....	51.

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Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
24 Other flight personnel .....	51, 69 .....	51, 55 .....	51, 55.
25 Maintenance labor:			
25.1 Labor—airframes and other flight equipment .....	.....	52 .....	52.
25.2 Labor—aircraft engines .....	.....	52 .....	52.
25.6 Labor—flight equipment .....	52 .....	.....	.....
25.9 Labor—ground property and equipment .....	52, 53 .....	52, 53 .....	52, 53.
26 Aircraft and traffic handling personnel .....	69 .....	.....	.....
26.1 General aircraft and traffic handling personnel .....	.....	64, 67 .....	61, 62, 63, 65.
26.2 Aircraft control personnel .....	.....	64 .....	61.
26.3 Passenger handling personnel .....	.....	64, 67 .....	62, 65.
26.4 Cargo handling personnel .....	.....	64, 67 .....	62, 65.
28 Trainees, instructors and unallocated shop labor:			
28.1 Trainees and instructors .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
28.2 Unallocated shop labor .....	53 .....	53 .....	53.
30 Communications personnel .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
31 Recordkeeping and statistical personnel .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
32 Lawyers and law clerks .....	69 .....	68 .....	68.
33 Traffic solicitors .....	69 .....	67 .....	65.
34 Purchasing personnel .....	53, 69 .....	53, 68 .....	53, 68.
35 Other personnel .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
36 Personnel expenses .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
37 Communications purchased .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
38 Light, heat, power, and water .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
39 Traffic commissions .....	69 .....	.....	.....
39.1 Commissions—passenger .....	.....	67 .....	65.
39.2 Commissions—property .....	.....	67 .....	65.
40 Legal fees and expenses .....	69 .....	68 .....	68.
41 Professional and technical fees and expenses .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
43 General services purchased:			
43.1 Airframe and other flight equipment repairs .....	.....	52 .....	52
43.2 Aircraft engine repairs .....	52 .....	52 .....	.....
43.6 Flight equipment repairs .....	.....	.....	.....
43.7 Aircraft interchange charges .....	51, 52 .....	51, 52 .....	51, 52
43.8 General interchange service charges .....	52, 69 .....	52, 55, 64, 67, 68.	52, 55, 61, 62, 63, 65, 66, 68.
43.9 Other services .....	52, 53, 69 .....	52, 53, 55, 64, 67, 68.	52, 53, 55, 61, 62, 63, 65, 66, 68.
44 Landing fees .....	69 .....	64 .....	61.
45 Aircraft fuels and oils .....	51 .....	.....	.....
45.1 Aircraft fuels .....	.....	51 .....	51.
45.2 Aircraft oils .....	.....	51 .....	51.
46 Maintenance materials:			
46.1 Airframes and other flight equipment .....	.....	52 .....	52
46.2 Aircraft engines .....	.....	52 .....	52.
46.6 Flight equipment .....	52 .....	.....	.....
46.9 Ground property and equipment .....	52, 53 .....	52, 53 .....	52, 53.
47 Rentals .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
49 Shop and servicing supplies .....	53, 69 .....	53, 64 .....	53, 61.
50 Stationery, printing, and office supplies .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
51 Passenger food expense .....	69 .....	55 .....	55.
53 Other supplies .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
54 Inventory adjustments .....	53, 69 .....	53, 55 .....	53, 55.
55 Insurance—general .....	51, 53, 69 .....	51, 53, 68 .....	51, 53, 68.
56 Insurance—traffic liability .....	69 .....	55, 64 .....	55, 62.
57 Employee benefits and pensions .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
58 Injuries, loss and damage .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
59 Schedules and timetables .....	69 .....	67 .....	65, 66.
60 Advertising .....	69 .....	67 .....	66.

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Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
61 Foreign exchange gains and losses .....	69 .....	68 .....	68.
62 Other promotional and publicity expenses .....	69 .....	67 .....	66.
63 Interrupted trips expense .....	69 .....	55 .....	55.
64 Memberships .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
65 Corporate and fiscal expenses .....	69 .....	68 .....	68.
66 Uncollectible accounts .....	69 .....	68 .....	68.
67 Clearance, customs and duties .....	69 .....	64 .....	61, 62.
68 Taxes—payroll .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
69 Taxes—other than payroll .....	51, 69 .....	51, 68 .....	51, 68.
71 Other expenses .....	51, 53, 69 .....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
72 Aircraft overhauls .....	52, 53 .....	52, 53 .....	52, 53.
72.1 Airworthiness allowance provisions—airframes .....	52, 53 .....	52, 53 .....	52, 53.
72.3 Airframe overhauls deferred .....	52, 53 .....	52, 53 .....	52, 53.
72.6 Airworthiness allowance provisions—aircraft engines .....	52, 53 .....	52, 53 .....	52, 53.
72.8 Aircraft engine overhauls deferred .....	52, 53 .....	52, 53 .....	52, 53.
73 Provisions for obsolescence and deterioration—expendable parts:			
73.1 Current provisions .....	70 .....	70 .....	70.
73.2 Inventory decline credits .....	70 .....	70 .....	70.
74 Amortizations:			
74.1 Developmental and preoperating expenses .....	70 .....	70 .....	70.
74.2 Other intangibles .....	70 .....	70 .....	70.
75 Depreciation:			
75.1 Airframes .....	70 .....	70 .....	70.
75.2 Aircraft engines .....	70 .....	70 .....	70.
75.3 Airframe parts .....	70 .....	70 .....	70.
75.4 Aircraft engine parts .....	70 .....	70 .....	70.
75.5 Other flight equipment .....	70 .....	70 .....	70.
75.6 Flight equipment .....	70 .....	70 .....	70.
75.8 Maintenance equipment and hangars .....	70 .....	70 .....	70.
75.9 General ground property .....	70 .....	70 .....	70.
76 Amortization expense, capital leases:			
76.1 Amortization—capitalized flight equipment .....	70 .....	70 .....	70
76.2 Amortization—capitalized other property and equipment .....	70 .....	70 .....	70
77 Uncleared expense credits:			
77.8 Uncleared interchange expense credits .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
77.9 Other uncleared expense credits .....	53, 69 .....	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
78 Direct maintenance—flight equipment .....	52 .....	52 .....	52.
79 Applied burden Dr/Cr:			
79.6 Flight equipment .....	52 Dr, 53 Cr .....	52 Dr, 53 Cr .....	52 Dr, 53 Cr.
79.8 General ground property .....	52 Dr, 53 Cr .....	52 Dr, 53 Cr .....	52 Dr, 53 Cr.
NONOPERATING INCOME AND EXPENSE			
81 Interest on long-term debt and capital leases:			
81.1 Interest expense, long-term debt .....	81 .....	81 .....	81
81.2 Interest expense, capital leases .....	81 .....	81 .....	81
82 Other interest:			
82.1 Interest expense, short-term debt .....	81 .....	81 .....	81
83.1 Imputed interest capitalized—credit .....	81 .....	81 .....	81
83.2 Imputed interest deferred—debit .....	81 .....	81 .....	81
83.3 Imputed interest deferred—credit .....	81 .....	81 .....	81
83.4 Interest capitalized—credit .....	81 .....	81 .....	81
84.1 Amortization of discount and expense on debt .....	81 .....	81 .....	81
84.2 Amortization of premium on debt .....	81 .....	81 .....	81
85 Foreign exchange gains and losses .....	81 .....	81 .....	81
89 Other nonoperating income and expense-net:			
89.0 Interest income .....	81 .....	81 .....	81
86.0 Income from nontransport ventures .....	81 .....	81 .....	81
87.0 Equity in income of investor controlled companies .....	81 .....	81 .....	81
88.1 Intercompany transaction adjustment-credit .....	81 .....	81 .....	81
88.2 Dividend income .....	81 .....	81 .....	81
88.3 Net unrealized gain or loss on marketable equity securities.	81 .....	81 .....	81.
88.4 Net realized gain or loss on marketable equity securities.	81 .....	81 .....	81.
88.5 Capital gains and losses—operating property .....	81 .....	81 .....	81.
88.6 Capital gains and losses—other .....	81 .....	81 .....	81.

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	Group I carriers	Group II carriers	Group III carriers
88.7 Unapplied cash discounts .....	81 .....	81 .....	81.
88.9 Other miscellaneous nonoperating credits .....	81 .....	81 .....	81.
89.1 Intercompany transaction adjustment—debit .....	81 .....	81 .....	81.
89.9 Other miscellaneous nonoperating debits .....	81 .....	81 .....	81.
INCOME TAXES			
91 Provision for income taxes:			
91.1 Income taxes before investment tax credits .....	91 .....	91 .....	91.
91.2 Investment tax credits utilized .....	91 .....	91 .....	91.
92 Provisions for deferred income taxes:			
92.1 Current provisions for deferred taxes .....	91 .....	91 .....	91.
92.2 Application of deferred taxes .....	91 .....	91 .....	91.
92.3 Adjustment of deferred taxes .....	91 .....	91 .....	91.
93 Investment tax credits deferred and amortized:			
93.1 Investment tax credits deferred .....	91 .....	91 .....	91.
93.2 Amortization of deferred investment tax credits .....	91 .....	91 .....	91.
94 Excess profits taxes .....	91 .....	91 .....	91.
DISCONTINUED OPERATIONS			
95 Discontinued operations:			
95.1 Income from discontinued operations .....	96 .....	96 .....	96.
95.2 Loss on disposal of discontinued operations .....	96 .....	96 .....	96.
EXTRAORDINARY ITEMS			
96 Extraordinary items .....	97 .....	97 .....	97.
97 Income taxes applicable to extraordinary items .....	97 .....	97 .....	97.
CHANGES IN ACCOUNTING PRINCIPLES			
98 Cumulative effects of change in accounting principles .....	98 .....	98 .....	98.

[ER–755, 37 FR 19726, Sept. 21, 1972, as amended by ER–781, 37 FR 25223, Nov. 29, 1972; 37 FR 28277, Dec. 22, 1972; ER–797, 38 FR 10926, May 3, 1973; ER–841, 39 FR 11995, Apr. 2, 1974; ER–948, 41 FR 12295, Mar. 25, 1976; ER–980, 42 FR 35, Jan. 3, 1977; ER–1013, 42 FR 37515, July 21, 1977; ER–1401, 50 FR 242, Jan. 3, 1985; Amdt. 241–56, 52 FR 9129, Mar. 23, 1987; Amdt. 241–58, 54 FR 5594, Feb. 6, 1989]

### Section 8 General

(a) The profit and loss accounts are designed to reflect, through natural groupings, the elements entering into the derivation of income or loss accruing to the proprietary interests during each accounting period.

(b) The prescribed system of accounts provides for the co-ordinate grouping of all revenues and expenses in terms of both major natural objectives and functional activities and for subdivision of both to provide varying degrees of detail for air carriers of differing accounting capacities and/or requirements.

(c) The detailed objective accounts established for each air carrier group, by the dual subdivision of profit and loss elements in terms of both natural objectives and functional activities, are set forth in section 7, Chart of Profit and Loss Accounts.

(d) The prescribed system of accounts provides generally that profit and loss elements shall be grouped in accord-

ance with their inherent characteristics within the following primary classifications:

(1) *Operating revenues.* (i) This primary classification shall include revenues of a character usually and ordinarily derived from the performance of air transportation and air transportation-related services, which relate to services performed during the current accounting year, and adjustments of a recurrent nature applicable to services performed in prior accounting years.

(ii) Operating revenues shall be subclassified in terms of functional activities as provided in section 9.

(2) *Operating expenses.* (i) This primary classification shall include expenses of a character usually and ordinarily incurred in the performance of air transportation and air transportation-related services, which relate to services performed during the current accounting year, and adjustments of a